

Department of Insurance

Analyst: Houston

Historical Summary

OPERATING BUDGET	FY 2007 Total App	FY 2007 Actual	FY 2008 Approp	FY 2009 Request	FY 2009 Gov Rec
BY PROGRAM					
Insurance Regulation	6,246,300	5,481,100	6,239,100	6,720,700	6,749,100
State Fire Marshal	1,089,500	933,900	1,080,500	1,324,200	1,097,800
Total:	7,335,800	6,415,000	7,319,600	8,044,900	7,846,900
BY FUND CATEGORY					
Dedicated	7,096,800	6,157,700	7,074,600	7,798,400	7,594,400
Federal	239,000	257,300	245,000	246,500	252,500
Total:	7,335,800	6,415,000	7,319,600	8,044,900	7,846,900
Percent Change:		(12.6%)	14.1%	9.9%	7.2%
BY OBJECT OF EXPENDITURE					
Personnel Costs	4,378,400	3,956,700	4,624,900	4,835,500	4,997,500
Operating Expenditures	2,734,100	2,255,800	2,502,900	2,782,400	2,692,400
Capital Outlay	220,800	194,700	183,800	169,000	149,000
Trustee/Benefit	2,500	7,800	8,000	258,000	8,000
Total:	7,335,800	6,415,000	7,319,600	8,044,900	7,846,900
Full-Time Positions (FTP)	73.00	73.00	73.00	75.00	75.00

Department Description

The mission of the Department of Insurance is to equitably, effectively and efficiently administer the Idaho Insurance Code and the International Fire Code. The department fulfills its mission and duties through three regulatory bureaus and an administrative group consisting of the director's office and supporting services.

Company Activities Bureau: This bureau monitors the financial condition of all insurance entities conducting business in the state of Idaho to ensure that each complies with Idaho law and that the financial obligations of the company to its policyholders will be met. The bureau also reviews insurance policy rates and forms, and collects and audits all insurance premium tax and fee returns.

Consumer Services Bureau: This bureau licenses and administers continuing education programs for insurance agents, brokers, insurance counselors, third party administrators, adjusters and managing general agents. The bureau analyzes consumer and industry complaints and provides assistance to consumers, the insurance industry and other law enforcement agencies on matters involving insurance contracts and potential violations of the Insurance Code. Information, counseling and assistance are provided to Idaho's senior citizens through a network of over 300 senior citizen volunteers and a toll-free 800 number.

State Fire Marshal: The State Fire Marshal's office participates in and coordinates an integrated statewide system designed to protect human life from fire and explosions through fire prevention and the investigation of fires. The program involves fire prevention activities, arson investigations, and the operation of various statistical systems, including the Idaho Fire Incident Reporting System.

Department of Insurance

Agency Profile

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PREMIUM TAX DISTRIBUTION

The Department of Insurance is responsible for administering and collecting a tax assessed on all insurance premiums. This tax collected from authorized insurers is in lieu of all other state and local taxes with the exception of real property tax. (Idaho Code §41-405)

Revenue from the premium tax is distributed to the following funds:

Insurance Refund: Used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

PERSI: Idaho Code Section 59-1304 provides that at least 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system. Currently, 100% of the gross tax on fire insurance is used for this purpose.

High Risk Insurance Pool: If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

Idaho Health Insurance Access Card: If premium tax revenue exceeds \$55 million, 25% of the excess goes to the Idaho Health Insurance Access Card Fund, with 80% going to CHIP Plan B and the children's access card program, and 20% (not to exceed \$1.2 million) to the small business health insurance pilot program.

General Fund: The balance of the premium tax, fines and penalties are distributed to the General Fund.

DISTRIBUTION OF PREMIUM TAX REVENUES FY 2005 - FY 2008

	FY 2006	FY 2007	FY 2008*	FY 2009*
General Fund	\$60,745,400	\$60,545,500	\$58,113,100	\$55,953,400
Insurance Refund	\$6,146,800	\$6,213,100	\$5,712,100	\$6,221,400
PERSI	\$4,155,300	\$3,827,800	\$4,280,000	\$4,408,400
Insurance Insolvency Fund	\$21,500	\$200	\$1,000	\$1,000
High Risk Insurance Pool	\$6,177,500	\$6,128,400	\$4,799,200	\$4,197,200
Access Card	\$3,677,500	\$3,628,500	\$2,299,200	\$1,697,200
Total	\$80,924,000	\$80,343,500	\$75,204,600	\$72,478,600

**Estimate based on projected revenues and expenses.*

NOTE: Distributions can exceed actual revenues slightly, depending on the amount of fees collected by the agency. Idaho Code §41-401(3)(e) provides that "at the beginning of each fiscal year, those moneys in the Insurance Administrative Account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

Department of Insurance

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2008 Original Appropriation	73.00	0	7,319,600	73.00	0	7,319,600
Non-cognizable Federal Funds (SHIBA)	0.00	0	175,000	0.00	0	175,000
FY 2008 Estimated Expenditures	73.00	0	7,494,600	73.00	0	7,494,600
Removal of One-Time Expenditures	0.00	0	(358,800)	0.00	0	(358,800)
FY 2009 Base	73.00	0	7,135,800	73.00	0	7,135,800
Benefit Costs	0.00	0	170,100	0.00	0	170,100
Inflationary Adjustments	0.00	0	20,000	0.00	0	0
Replacement Items	0.00	0	149,000	0.00	0	149,000
Statewide Cost Allocation	0.00	0	189,500	0.00	0	189,500
Change in Employee Compensation	0.00	0	40,500	0.00	0	202,500
FY 2009 Program Maintenance	73.00	0	7,704,900	73.00	0	7,846,900
1. Convert Temp. Staff to Permanent FTP	2.00	0	0	2.00	0	0
2. Electronic Document Management	0.00	0	90,000	0.00	0	0
3. Fire Safety Grant Program	0.00	0	250,000	0.00	0	0
FY 2009 Total	75.00	0	8,044,900	75.00	0	7,846,900
Change from Original Appropriation	2.00	0	725,300	2.00	0	527,300
% Change from Original Appropriation			9.9%			7.2%

Department of Insurance

Analyst: Houston

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2008 Original Appropriation	73.00	0	7,074,600	245,000	7,319,600

Non-cognizable Federal Funds (SHIBA)

Insurance Regulation

The department has been granted carryover authority for federal grant funds (SHIBA) into fiscal year 2008 and a federal performance grant of \$31,000 that will be used to provide senior centers across the state with computer and internet services, on a one-time basis.

Agency Request	0.00	0	0	175,000	175,000
Governor's Recommendation	0.00	0	0	175,000	175,000

FY 2008 Estimated Expenditures					
Agency Request	73.00	0	7,074,600	420,000	7,494,600
Governor's Recommendation	73.00	0	7,074,600	420,000	7,494,600

Removal of One-Time Expenditures

Remove funding provided for one-time items and one-time federal grant funds.

Agency Request	0.00	0	(183,800)	(175,000)	(358,800)
Governor's Recommendation	0.00	0	(183,800)	(175,000)	(358,800)

FY 2009 Base					
Agency Request	73.00	0	6,890,800	245,000	7,135,800
Governor's Recommendation	73.00	0	6,890,800	245,000	7,135,800

Benefit Costs

Reflects \$2,075 per position or a 29% increase in employer-paid health insurance premiums from \$7,125 to \$9,200 per year. This increase is artificially inflated since the rates have been frozen for the last two years, with increases being covered from reserves.

Agency Request	0.00	0	170,100	0	170,100
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The Governor recommends funding the employer increase in health insurance, and does not remove the funding for their PERSI rate increase that was included in the request. Recently, the PERSI Board voted not to increase the contribution rate for the upcoming fiscal year.

Governor's Recommendation	0.00	0	170,100	0	170,100
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Inflationary Adjustments

Insurance Regulation

This inflationary adjustment is arrived at by subtracting one-time funding and statewide allocation plan costs from the base and calculating a customized increase of 1.80% for all remaining operating costs.

Agency Request	0.00	0	20,000	0	20,000
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The Governor does not recommend funding for general inflation.

Governor's Recommendation	0.00	0	0	0	0
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Replacement Items

INSURANCE REGULATION

Replacement capital outlay includes: 25 personal computers (\$1,500 each/\$37,500 total), seven notebook computers (\$1,500 each/\$10,500 total), four switches and one router (\$17,000), five servers (\$25,000), seven laser printers (\$30,500), one copier (\$12,000), one fax machine (\$1,500), one digital projector (\$1,400), and one camera (\$500), for a total of \$135,900.

STATE FIRE MARSHAL

Replacement capital outlay includes: three personal computers (\$1,500 each/\$4,500 total), three notebook computers (\$1,500 each/\$4,500 total), one personal laser printer (\$300), one small copier (\$2,300), and one fax machine (\$1,500), for a total of \$13,100.

Agency Request	0.00	0	149,000	0	149,000
Governor's Recommendation	0.00	0	149,000	0	149,000

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Statewide Cost Allocation			Insurance Regulation		
Includes adjustments for services provided by state agencies as follows: \$184,100 increase in Attorney General fees, \$1,200 increase in property and casualty insurance premiums, \$4,800 increase in State Controller fees, and a \$600 decrease in State Treasurer fees, for a total increase of \$189,500.					
Agency Request	0.00	0	189,500	0	189,500
Governor's Recommendation	0.00	0	189,500	0	189,500
Change in Employee Compensation					
Agencies were instructed to input a CEC based on a 1% calculator.					
Agency Request	0.00	0	39,000	1,500	40,500
The Governor recommends a compensation increase of 5% to be distributed based on merit.					
Governor's Recommendation	0.00	0	195,000	7,500	202,500
FY 2009 Program Maintenance					
Agency Request	73.00	0	7,458,400	246,500	7,704,900
Governor's Recommendation	73.00	0	7,594,400	252,500	7,846,900
1. Convert Temp. Staff to Permanent FTP			Insurance Regulation		
The department requests two full-time SHIBA volunteer services coordinators to provide services currently conducted by four part-time temporary employees. Additional spending authority is not needed for these positions, as the department will use funds that were previously used to pay for the temporary employees and the necessary support infrastructure (office furniture, computer equipment, etc.) is already in place. The volunteer service coordinators will be located in Coeur d'Alene and Pocatello.					
Agency Request	2.00	0	0	0	0
Governor's Recommendation	2.00	0	0	0	0
2. Electronic Document Management			Insurance Regulation		
The department requests \$90,000 in dedicated fund spending authority to implement an electronic document management system. The department states that this system will reduce storage space needed for paper application documents and improve efficiency through electronic data search capability. The request includes \$20,000 (one-time) for computer equipment, \$10,000 (one-time) for administrative services, and \$60,000 (ongoing) to purchase the software and pay for the annual maintenance and renewal fee.					
Agency Request	0.00	0	90,000	0	90,000
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
3. Fire Safety Grant Program			State Fire Marshal		
The department requests \$250,000 in dedicated fund spending authority (ongoing) to provide grant funds to local fire agencies across the state to develop fire safety and prevention education programs.					
Agency Request	0.00	0	250,000	0	250,000
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
FY 2009 Total					
Agency Request	75.00	0	7,798,400	246,500	8,044,900
Governor's Recommendation	75.00	0	7,594,400	252,500	7,846,900
Agency Request					
Change from Original App	2.00	0	723,800	1,500	725,300
% Change from Original App	2.7%		10.2%	0.6%	9.9%
Governor's Recommendation					
Change from Original App	2.00	0	519,800	7,500	527,300
% Change from Original App	2.7%		7.3%	3.1%	7.2%